

Message Text

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ACTION EUR-12

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TAGS: ETRD, OECD, EEC
SUBJECT: EC REQUESTS FOR OECD STEEL CONSULTATIONS

REF: A. OECD PARIS 27989, B. OECD PARIS 27789, C. OECD PARIS 28016
D. EC BRUSSELS 9623, E. MTN GENEVA 8102

1. BEGIN SUMMARY. THE EC COMMISSION HAS CONTINUED TO EMPHASIZE THAT ITS REQUESTS FOR STEEL CONSULTATIONS SHOULD BE CONSIDERED WITHIN THE CONTEXT OF THE TRADE PLEDGE. IT HOPES THAT CONSULTATIONS CAN BEGIN BEFORE NOV 15, AND ONE OFFICIAL SUGGESTS THAT IF THAT DATE CANNOT BE MET, INTERNAL PRESSURES MAY FORCE THE COMMISSION TO TAKE UNILATERAL ACTION. THE MISSION SUPPORTS THE RECOMMENDATION OF OECD PARIS THAT THE US SHOULD AGREE TO PARTICIPATE IN THESE CONSULTATIONS WITHOUT NECESSARILY ENDORSING SPECIFIC EC PROPOSALS. END SUMMARY.

2. IN THE COURSE OF A CONVERSATION ON OTHER ISSUES, PHAN VAN PHI OF THE COMMISSION'S DIRECTORATE GENERAL FOR EXTERNAL RELATIONS SAID THAT HE WANTED TO CONVEY A MESSAGE REGARDING THE COMMUNITY'S

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REQUEST FOR STEEL CONSULTATIONS. THE MESSAGE IS THAT SUCH

CONSULTATIONS SHOULD TAKE PLACE AS EARLY AS POSSIBLE. THE COMMISSION'S GAME, HE SAID, IS TO SAY TO CONCERNED PARTS OF THE STEEL INDUSTRY AND AROUSED MEMBER STATE GOVERNMENTS THAT THERE ARE CERTAIN INTERNATIONAL PROCEDURES AND THAT THE COMMUNITY SHOULD GO THROUGH THESE PROCEDURES FIRST BEFORE TAKING ANY UNILATERAL ACTION. IF THE OECD CONSULTATIONS RESULT IN (A) MUTUAL UNDERSTANDING OF THE PROBLEM, AND (B) COMMON ACTION TO DEAL WITH IT, SO MUCH THE BETTER. EVEN ACHIEVEMENT OF BETTER UNDERSTANDING WILL HELP. FINALLY, EVEN CONSULTATIONS WITH NO RESULT WILL HAVE DEMONSTRATED AN EFFORT ON THE COMMUNITY'S PART TO RESOLVE THE PROBLEM INTERNATIONALLY AND WILL HAVE GAINED SOME TIME. ALL OF THIS, PHAN VAN PHI SAID, MEANS THAT CONSULTATIONS SHOULD BEGIN VERY SOON. OTHERWISE, PRESSURES WILL MOUNT AND PERHAPS BECOME IRRESTIBLE. THE COMMISSION, HE SAID, WAS THEREFORE TRYING TO INSIST THAT THE CONSULTATIONS SHOULD START BEFORE NOV 15. IF THEY WERE TO BEGIN EVEN A WEEK OR TWO LATER, THE INTERNAL PRESSURES IN THE COMMUNITY MIGHT BURST - AND HE WARNED AGAINST UNDERESTIMATION OF THESE PRESSURES.

3. PHAN VAN PHI AGAIN STATED - THIS TIME APPARENTLY MORE OFFICIALLY - THAT IN THE COMMUNITY'S VIEW THE STEEL PROBLEM IS A TEMPORARY "CONJUNCTURAL" ONE, NOT A STRUCTURAL PROBLEM LIKE TEXTILES. IDEALLY, THE COMMISSION WOULD OBTAIN INTERNATIONAL AGREEMENT TO DO SOMETHING COLLECTIVELY AND QUICKLY FOR A SHORT PERIOD. THE QUICKER SOMETHING WAS DONE THE MORE THE PRESSURE TO TAKE ACTION WOULD BE RELIEVED, AND THE SHORTER THE TERM AND THE SMALLER THE AMOUNT OF ACTION THAT WOULD BE REQUIRED. IF THE SITUATION, ON THE OTHER HAND, WERE ALLOWED TO DETERIORATE, THE COMMUNITY MIGHT HAVE TO ACT UNILATERALLY AND EVERYONE MIGHT BE STUCK WITH LONG-TERM ACTIONS.

4. FINALLY, PHAN VAN PHI SAID THAT THE COMMISSION WOULD LIKE TO HAVE THE PARTICIPATION IN THE CONSULTATIONS INCLUDE NOT ONLY STEEL EXPERTS BUT TRADE POLICY EXPERTS. HE FEARED THE RESULTS IF THE CONSULTATIONS WERE LEFT PURELY TO STEEL EXPERTS.

5. IN A CONVERSATION WITH CONGRESSMAN WILLIAM GREEN ON OCT 27, COMMISSIONER GUNDELACH GAVE AN ACCOUNT OF THE INTRA-COMMISSION DISPUTE OVER STEEL WHICH ESSENTIALLY CONFIRMS THE LOWER-LEVEL REPORTS CONVEYED IN REF D. HE SAID THAT COMMISSIONER SPINELLI
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HAD ADVOCATED SETTING MINIMUM PRICES FOR STEEL. THE MAJORITY WITHIN THE COMMISSION DID NOT ACCEPT HIS PROPOSAL BECAUSE THEY FELT IT NECESSARILY IMPLIED BORDER RESTRICTIONS. THEY HAD INSTEAD PROPOSED DISCUSSIONS IN THE OECD (AS WELL AS CONTINUED BILATERAL PRESSURES ON JAPAN). THE COMMISSION HAD MADE A POINT OF REFERRING TO THE TRADE PLEDGE IN REQUESTING CONSULTATIONS BECAUSE THE AIM OF THE PLEGE IS THE AVOIDANCE OF NEW RESTRICTIONS IN THIS DIFFICULT PERIOD, AND THAT IS THE COMMISSION'S

INTENT.

6. COMMENT. IT APPEARS TO US THAT THE COMMISSION IS ACTING CONSISTENTLY WITH THE SPIRIT OF THE TRADE PLEDGE IN REQUESTING CONSULTATIONS. IT IS CONFRONTED WITH DOMESTIC PRESSURES FOR UNILATERAL RESTRICTIONS (AND IN FACT THESE PRESSURES ARE FELT WITHIN THE RANKS OF THE COMMISSION ITSELF). ESSENTIALLY THE COMMISSION IS SEEKING TO MAKE USE OF THE OECD EXERCISE AS A JUSTIFICATION FOR NOT IMPOSING RESTRICTIONS. GIVEN THE SIGNIFICANCE OF STEEL IN WORLD TRADE, A COLLAPSE OF THE COMMISSION'S ABILITY TO RESIST THESE PRESSURES WOULD BLOW A LARGE HOLE IN THE DIKE WHICH THE PLEDGE AIMED TO CREATE AGAINST A NEW PROTECTIONISM BORN OF THE CURRENT ECONOMIC MALAISE. WE CONCUR WITH OECD PARIS IN ITS VIEW THAT THE US SHOULD GO ALONG WITH THE REQUEST FOR CONSULTATIONS. THIS DOES NOT, OF COURSE, AS OECD PARIS NOTES, MEAN THAT WE NECESSARILY SHOULD SUPPORT ANY SPECIFIC PROPOSALS MADE BY THE COMMISSION IN THE CONSULTATIONS. WE NOTE FURTHER THAT THE COMMISSION'S CLEARLY-EXPRESSED ATTITUDE - THAT THE STEEL PROBLEM IS A CYCLICAL NOT A PERMANENT ONE - TO A DEGREE UNDERMINES THE CASE FOR SEEKING TO MAKE USE OF THE COMMISSION'S REQUEST FOR CONSULTATIONS AS A ENTRÉE INTO SECTORAL NEGOTIATIONS ON STEEL IN THE MTN CONTEXT. END COMMENT.
GREENWALD

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